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**Short-Term Prospects
For Libya**

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SHORT-TERM PROSPECTS FOR LIBYA

NOTE

This estimate assesses likely developments in Libyan policy, particularly with regard to issues affecting US interests. Most of the judgments are intended to apply only to the next six months or so, although a few longer term trends also are indicated.

CONCLUSIONS

A. The young captains and lieutenants who took over Libya four months ago want foreign military installations removed from Libya as soon as possible. Evacuation of the bases in a manner satisfactory to the Libyans will not guarantee good relations between Libya and the US, but any other outcome would seriously prejudice US interests. The members of the Revolutionary Command Council (RCC) are also clearly determined to identify with the militant Arab line toward Israel. In these two desires, they reflect the prevailing mood in Libya itself, and any successor regime probably would follow similar policies.

B. Beyond this, we know little concerning the policies of the RCC, and there seem to be potential sources of dissension within the group. Unsure of its own hold on power and lacking clear domestic policy objectives, it will be disposed to look for advice to other Arab countries—especially Egypt, with which the RCC leaders are developing close ties.

C. Oil operations in Libya netted the US balance of payments over \$600 million in 1968; for 1969, that figure probably will approximate \$750 million. Libya received \$952 million in oil revenues in 1968 and will receive about \$1.3 billion in 1969. The RCC will press vigorously, and successfully, to increase its income from oil. Nationalization of oil production does not seem likely, but it cannot be entirely

ruled out. In dealing with the oil companies, Libya holds a number of high cards.

D. The RCC probably will contribute financially to the Arab cause even more heavily than did the monarchy. It also may station token contingents of troops in Egypt and perhaps Jordan. If Egypt so desired, the RCC probably would agree to make Libyan airfields available to Egyptian aircraft. Over the longer run, it is possible that Soviet-manned reconnaissance aircraft in some guise might be permitted access to facilities in Libya.¹ Properly requested and conducted overflights and port visits by the Soviets would almost certainly be permitted; we doubt, however, that the Libyans would give the USSR access to military installations in Libya on anything like extraterritorial terms.

DISCUSSION

I. INTRODUCTION

1. The United Kingdom of Libya lasted almost 18 years. In this period, it passed from being one of the poorest nations in the world, heavily dependent on subsidies from the US and UK, to the role of a major, wealthy oil producer. The policies of the monarchy were established almost entirely by King Idris. Recognizing the value of British support since the days when the British freed Libya from Italian domination and the importance of the US aid that kept the Kingdom solvent in its early years, Idris was willing and able to stand fast against the growing tide of Libyan enthusiasm for the Arab cause against Israel and to risk the opprobrium associated with foreign military installations on Libyan soil. In September 1969, however, the royal regime was suddenly overthrown by a group of young army officers directed by a Revolutionary Command Council (RCC).

II. THE NATURE AND STABILITY OF THE NEW REGIME

2. The real power in the new regime resides in the RCC. The RCC has not given any meaningful responsibility to the civilian ministers it has appointed, and there is very little trust or sympathy between the military and civilian components of the government. The RCC members lack both the expertise and the machinery for making and implementing decisions in an orderly way—a circumstance which is likely to become more obvious and troublesome with time. Available information indicates that the RCC is a collegial group of about

¹ The circumstances under which such a contingency might arise will be more fully explored in NIE 11-6-70, "Soviet Policies in The Mediterranean Basin," scheduled for publication in the first quarter of 1970.

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a dozen members, virtually all between the ages of 25 and 30. Most of them attended the Libyan Royal Military Academy together, graduating in 1965 and 1966, and most have attended military courses in the US and/or the UK. Information on the internal functioning of the RCC and of relative standing within the group is extremely scanty. Its president, Colonel Muammar Qadhaafi, apparently is at present the most powerful individual although not the sole source of authority. The leaders appear to have the active support of a larger group of adherents, numbering 50 to 100 officers (10-20 percent of the total officer strength of the Libyan Armed Forces).

3. The RCC has not so far been challenged from outside its own ranks. There is considerable grousing and criticism, and those who have lost power and status as a result of the coup undoubtedly are unhappy. However, most of the prominent personalities of the old regime are in exile or under detention. Most of those who have thus far escaped the RCC's ire are likely to remain quiescent. There have been some reports of efforts by old regime figures to promote resistance activities among the broadly pro-royalist Cyrenaican tribes, but it appears unlikely that these elements will pose a serious challenge to the new regime in the near future. Since the RCC disarmed or otherwise neutralized all security forces outside the regular army, the potential for active opposition from these quarters also appears low for some time to come.

4. While individual members may hold particular philosophies, the RCC does not yet appear to have a clear and agreed program beyond the negative one of expunging what its members consider offensive features of the previous regime. Domestically, they seem bent on eradicating corruption and social inequities. In external matters, they are determined to eliminate the Western military presence symbolized primarily by the UK bases at Tobruk and El Adem and the US base at Wheelus. The RCC's actions so far have underlined both the Libyan and the Arab character of the revolution. The regime speeded up the Libyanization of foreign-owned banks which had begun under the monarchy. It introduced partial prohibition, presumably out of deference to Islamic fundamentalism. It removed foreign-language signs and deleted English language courses from the school curriculum. It carried out widespread arrests of politicians, businessmen, and senior military personnel associated with the old regime, and preparations for a series of show trials are underway.

5. At the start, the RCC was clearly fearful of military intervention by the UK and the US in behalf of Idris. As soon as it felt that this immediate threat had passed, the regime announced that it wanted foreign military installations removed from Libyan soil as quickly as possible. Nevertheless, the RCC remains apprehensive of direct Western intervention, and it is clearly worried about potential domestic challenge. These concerns, combined with a desire to solidify Libyan ties with the Arab community, lie behind some recent Libyan moves on the Arab stage. Shortly after the revolution, the RCC brought in about 150 Egyptian civilian advisors and an equal number of military ones; they are

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particularly noticeable in the security and information fields. In mid-December, two battalions of Egyptian troops were brought to Libya.

6. The RCC has also endorsed proposals for closer association among Sudan, Egypt, and Libya and has sometimes referred to itself as the Committee of Free Unionist Officers. There is a considerable bond between Libya and Egypt, based on longstanding social, cultural, and educational links. Moreover, any group of revolutionary young Arab officers cannot help but look upon Nasser as a successful model. Nevertheless, we are inclined to believe that the emphasis in any association will be on military and economic cooperation well short of complete union. Nasser, for his part, would find even a very loose association a useful means of exerting influence over the inexperienced RCC members.

7. There are many in Libya, however, who neither like nor trust Egyptians. Many Libyans fear that the RCC intends steps which would put Libya's 1.8 million people and huge oil revenues under Cairo's control. Indeed, the first split in the RCC occurred ostensibly because Defense Minister Hawaaz opposed Qadhaafi's moves toward Egypt, and the subsequent arrival of Egyptian troops in Libya offers grounds for future opposition to the Qadhaafi regime. We cannot say, given present skimpy evidence, whether the RCC and its supporters will be able to overcome future divisiveness within their own ranks. Such matters as relations with Egypt, personal ambition, and opportunities for corruption offer ample grounds for future splits.

8. If the RCC hangs together, it is likely to be able to maintain power for some time. Any challenge from outside will be slow to develop, and the military holds the power in the country. Under RCC rule, a general breakdown of internal stability that would threaten foreign citizens and foreign-owned property is not likely, although occasional localized disruptions are possible. If a part of the present RCC were to seize control or if another group of officers should move in, the odds are that a successor government would pursue domestic and Arab policies not greatly dissimilar to those of the present regime.

III. MAJOR POLICY ISSUES

9. Many of the important issues facing the inexperienced young RCC members involve Western interests; in view of the strong urge the regime has for national independence and sovereignty, this foreign involvement will be a major factor in decision making. The most obvious manifestations of foreign influence, of course, are the military installations; on this issue, the RCC has already been able to reach a firm, and we believe irrevocable, decision. Oil concession agreements, foreign involvement in corruption charges against old regime figures, arms procurement, Libya's role in the Arab-Israeli quarrel, and economic management are far more complex questions. For the RCC members, the proper handling of these issues is vital to their own ability to maintain order and continue themselves in power. The RCC approach is, moreover, the key

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to the continued existence of a Western-owned oil industry and to the safety of Westerners in Libya.

A. Western Military Installations

10. The RCC will be closely monitoring the adherence of the US and UK to agreed schedules for the removal of forces from Libya. This will be extremely important to the future of the RCC itself as well as to the course of Libyan relations with both countries. US control over Wheelus Air Base, the British garrison at Tobruk, and British control over El Adem Air Base are anathema to the RCC for a number of reasons. The 6,000 US and British military personnel in the country at the time of the revolution were seen by the RCC as a potential threat to Libya, whose armed forces numbered only about 8,000. The bases are a highly visible reminder of Libyan dependence on foreign tutelage and a negation of Libyan and Arab nationalism. Moreover, evacuation is a clear and simple goal, while the task of governing the country is proving to be complicated and difficult.

11. Domestic criticism at the absence of bold new initiatives toward the reforms the RCC has promised has already appeared. In such circumstances, evacuation of the bases and distraction of the public by corruption trials are very important to the regime, which will need some political triumphs in the months ahead. Evacuation of the bases in a manner satisfactory to the Libyans will not guarantee good relations with the US, but any other outcome would seriously prejudice US interests.

B. Oil Policy

12. Upon its accession to power, the RCC announced that it would honor all existing international commitments—specifically including oil concessions. It also pledged to punish all those guilty of flagrant corruption under the monarchy. The two promises are not wholly compatible, since many existing oil concessions—as well as other commercial agreements—were obtained by influence-peddling and bribery involving both highly placed Libyans and foreign individuals and corporations. The corruption trials are slated to begin soon, and any oil companies publicly named in the trials could be an early target for punitive actions.

13. Nevertheless, the RCC is unlikely to take such action against the nine current oil producers. (See Table.) Oil production is a source of huge revenues (\$952 million in 1968 and an estimated \$1.3 billion in 1969) which the RCC wishes to retain. Moreover, the major corruption charges revolve around concession awards made in 1966 and 1969 to a number of companies, most of which are not yet producing. Most currently producing companies had obtained concessions earlier and could be omitted from the proceedings.

CRUDE OIL PRODUCTION IN LIBYA

OPERATING COMPANIES ^a	OWNERSHIP	PRODUCTION ^b (000 BARRELS PER DAY)		PERCENT CHANGE
		1968	1969	
Oasis	83.3% US, 16.7% Netherlands	685.4	772.4	+12.7
Esso	100% US	744.1	743.7	-0.1
Occidental	100% US	349.4	606.5	+73.6
Amoseas	100% US	224.8	365.9	+62.8
British Petroleum	50% US, 50% UK ..	306.6	308.4	+0.6
Mobil	75% US, 25% West Germany	233.8	259.6	+11.0
Phillips	100% US	7.6	6.1	-19.7
Aquitaine	16% US, 42% Spain, 42% France	...	3.6	...
Pan American	100% US	1.1	0.6	-45.5
TOTAL		2,552.8	3,066.8	+20.1

^a Some of these operate on behalf of a group of owners.

^b Average for the first 10 months of each year.

14. In any event, the producing companies will be under pressure from the RCC for higher payments to the Libyan Government. Libya received just over \$1 per barrel in 1967 and 1968—a higher payment than any major producing country except Venezuela and about 15¢ per barrel more than Persian Gulf producers. But Libyan oil has an unusually favorable combination of characteristics. It can be delivered to Europe by tanker in only six days, whereas most Persian Gulf oil is 35 to 40 days away from Europe so long as the Suez Canal remains closed. Moreover, it is particularly suitable for high priced products such as gasoline and naphtha, and it has almost no sulphur—making it exceptionally low in air pollutants. Libya can play off some producing companies against others. The RCC will probably push vigorously the Idris regime's demand for an upward revision of the price structure on which Libyan revenues are calculated. The RCC is also likely to be much more adamant than the monarchy about pressing for increased government control of oil field operations and for participation by the government-owned Libyan Petroleum Company.

15. A Libyan attempt to nationalize oil production does not appear likely, particularly in the coming months when the RCC is trying to learn its job and consolidate its control. Nevertheless, it cannot be entirely ruled out, especially in the event of major Arab-Israeli military hostilities. The RCC is deeply committed to the Arab cause, and oil is the major weapon at Libyan disposal. Moreover, Libya is in a unique position to carry out nationalization without severe damage to itself. The principal bar to nationalization has historically been domination of the oil trade and markets by the seven major international oil companies; their share of the world market, however, has dropped from about 90 percent in 1952 to some 75 percent in 1968, and they

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produce only about half of Libya's total output. West European countries depend greatly on Libyan oil. Twenty-five percent of the crude oil imported in 1968 by the European Common Market countries—and 43 percent of West German imports—came from Libya. If suppliers could not meet their contractual deliveries, independent oil companies in importing countries would probably not refuse to buy oil from nationalized companies, as long as the price remained competitive. Furthermore, Libya has accumulated foreign exchange reserves adequate to ride out a lengthy period during which it could seek new customers; imports other than oil field equipment could be maintained at current levels for roughly two years with the funds Libya now has on hand.

16. For the US, the impact of Libyan oil policy will be reflected principally in the balance of payments. By the end of 1968, American oil companies had invested about \$1.2 billion in Libya and had repatriated profits totaling over \$1.5 billion. The profit inflow was \$478 million in 1968 and probably will amount to about \$600 million in 1969. In addition, oil company purchases of equipment accounted for over \$140 million out of a net inflow to the US of some \$205 million from trade and other transactions with Libya in 1968. The effect of Libyan pressure for an increasing share in total oil earnings will be to somewhat retard the rapid growth of the profit flow, which has doubled in the past two years. Should American oil interests in Libya be nationalized, compensation even at the full total of cumulative investment would be equivalent to only two years' profit remittances at the current rate. Compensation at the declared book value of \$700 million would be equivalent to profit remittances for only about one year. In case of nationalization, the balance of payments impact on the US would be somewhat offset by increased production and profits from American-operated concessions in other producing countries.

C. Arms, Bases, and the USSR

17. The Libyan regime is seeking arms. It almost certainly will want tanks and aircraft, probably in quantities at least as great as those the Idris regime was considering. The new regime has not withdrawn requests made by the monarchy for Chieftain tanks from the UK and jet fighters from the US, and it probably will continue to look to Washington and London for major items. However, the RCC has already shown its interest in diversifying sources of military support by contacting France and other Western countries about the prospects for both arms and training assistance. In some of these contacts, Libya may be acting as an intermediary for other Arab states. With cash available to purchase whatever it wants, Libya is in an excellent position. If it cannot satisfy its desires in the West, we do not think it would be particularly reluctant to turn to the Soviet Union.

18. The Libyans have stated that they mean to use Wheelus as a military airfield, but they will certainly not require the full extent of its facilities. To

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operate what they do need, they may choose to hire civilian contractors. In line with their desire to escape from predominant US and UK tutelage, they might turn to German or French sources for assistance. It is more likely, however, that they will request help from Egypt, which is capable of providing military or civilian technicians to run Wheelus at the level the Libyans will require.

19. If the Egyptians desire, the Libyans also would probably agree to Egyptian use of either Wheelus or El Adem as dispersal fields for Egyptian aircraft. From the Egyptian point of view, this would be somewhat more convenient than the present practice of using fields in Algeria and Sudan. For Egyptian purposes, El Adem is more conveniently located than Wheelus.

20. To date, the RCC has shown no inclination to cultivate strong links with the USSR. Soviet diplomats have complained about difficulties in gaining access to members of the RCC and about harassments by low ranking Libyan military personnel. A Soviet offer of military assistance made in the days immediately after the revolution was rejected. We doubt that the Libyans would see political benefits in an arrangement giving the USSR access to either Wheelus Air Base or the British facilities at Tobruk and El Adem on anything like extraterritorial terms at such time as these are evacuated. Foreign bases, *per se*, are a favorite target for Arab condemnation. On the other hand, the Libyans would almost certainly be willing to grant the Soviets overflight and landing rights and port visits as long as they were requested and conducted in accordance with normal procedures. Over the longer run, it is possible that Soviet-manned reconnaissance aircraft in some guise (e.g., under Egyptian markings) might be permitted access to facilities in Libya.²

D. Arab-Israeli Matters

21. The new regime in Libya clearly is determined to identify itself with the militant Arab line toward Israel. Its principal weapon is money, and it probably will be more generous than the monarchy. Payments pledged by the monarchy included annual subsidies of \$59 million to Egypt and \$25 million to Jordan agreed to at Khartoum in 1967. Of a further \$56 million promised to Egypt by Idris in 1969, no more than half had been paid at the time of the coup. Additional amounts for Egypt and Jordan are likely, along with increased payments to fedayeen organizations; Libya apparently made some new pledges at the Rabat conference in December 1969, but the exact amounts are not yet known. The RCC also may dispatch some troops to Egypt and perhaps Jordan. These, however, will almost certainly be little more than token contingents.

²The circumstances under which such a contingency might arise will be more fully explored in NIE 11-9-70, "Soviet Policies In The Mediterranean Basin," scheduled for publication in the first quarter of 1970.